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The drive for biofuels

Entrepreneur rounds up investors for Shelby County site

By Jere Downs

jdowns@courier-journal.com

As soaring soybean and corn prices threaten the still-nascent biofuels industry, entrepreneur William D. Bivins hopes to break ground this year on an energy plant that will utilize multiple raw sources to produce biodiesel, ethanol, electricity and natural gas.

After winning preliminary approval in March for \$5 million in state tax breaks designed to encourage alternative fuel production, the 47-year-old Louisville engineer is still rounding up investors for Louisville cleanenergy. His ultimate goal is a \$62 million Shelby County plant.

To begin, Bivins aims to produce 5 million gallons of biodiesel annually, using a chemical process to treat feedstocks as diverse as sorghum, corn, soybeans, rendered animals, or restaurant grease.

"No one else in the world has put together a biorefinery as complex as mine," Bivins said in an interview.

With commodity prices soaring for corn and soy, biodiesel players have their doubts.

"I can't believe anyone would build a plant right now," said Allen Henry, vice president of Bluegrass Biodiesel, a 10-million gallon facility in Pendleton County that has been idled for months by high feedstock prices.

The Bivins plan also calls for production of methane and electricity from composted materials, ethanol from grain and bakery waste.

Buyers of the Bivins biodiesel will be fuel distributors, municipalities and fleets. The Jefferson County school district, for example, runs its buses on regular diesel blended with a small amount of biodiesel.

Louisville cleanenergy received a \$25,000 grant last month from the Kentucky Enterprise Fund. The Kentucky Science and Technology Corp. fund provides "early-stage commercialization of a technology-based product or process."

With crude oil exceeding \$120 a barrel, and diesel costing more than \$4 a gallon at the pump in Louisville and most of the country, there is no doubt that there is a future for biofuels.

The Energy Independence and Security Act of 2007 signed by President Bush in December requires that refineries use at least 36 billion gallons of biofuel in 2022. Minnesota Gov. Tim Pawlenty recently signed into law a mandate that by 2015, diesel at the pump include 20 percent biodiesel.

Like most states, Kentucky does not require the blending of traditional diesel fuel with biodiesel. However, former Gov. Ernie Fletcher was hailed by the industry for supporting a law that

created tax breaks to reward alternative-fuel production.

Around Louisville, perhaps the most visible users of alternative fuel are drivers of "grease cars." Many of them have converted diesel engines with the help of Good Oil, a 3-year-old Louisville company that also sells treated restaurant grease as fuel to motorists at about \$1.95 a gallon -- half what diesel coming from gas station pumps costs.

Meanwhile, the doubling and tripling of corn and soybean prices since 2005 has triggered a shakeout in the biorefinery industry.

In the last decade, 154 biodiesel plants have sprung up around the nation. Of 107 that responded to a survey published this month by Biodiesel Magazine, a trade journal, just 71 remain in production. Another 21 are idle and 15 are defunct.

"As soon as soybean prices level out, I'm sure the industry will grow," magazine features editor Rona Johnson said in an interview last week from offices in Grand Forks, N.D. "At what rate, that is hard to say."

Unlike Bivins' plans for a stand-alone plant, the business model that appears to work is one where a biorefinery accompanies a longstanding business.

Take Griffin Industries for example. Processing waste animal products from giant customers like Tyson Foods, Griffin renders fatty acids and tallow for the production of soap, cosmetics, paint, varnish and other products. In 1998, Griffin opened a 2-million-gallon biodiesel plant in Butler, Ky.

"In the early years, we did nothing but lose money. We were the fourth plant in the U.S.," Griffin Vice President Jim Conway said. "If we were stand-alone biodiesel, we would not have survived this long."

Like most biodiesel plants in the United States, Owensboro Grain Biodiesel LLC has been converting soybeans to fuel in a plant that opened in January. The operation can produce 50 million gallons of biodiesel annually, company vice president John Wright said.

Asked if high soybean prices were hurting the new operation, Wright declined to comment. But he added that the biofuel operation adds to a longstanding plant producing soybean oil and soy products on the banks of the Ohio River in downtown Owensboro.

Bivins' plan to use multiple feedstocks for Louisville cleanenergy "seems like a decent model," Wright said.

The biofuel industry "is not for the faint-hearted," he added. "There is no doubt there is plenty of volatility."

Reporter Jere Downs can be reached at (502) 582-4669.
